

# Clearport Petroleums Ltd.

AR05



1984  
ANNUAL REPORT





(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

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Faculty of Business  
University of Alberta

## Notice of Annual General Meeting of Shareholders

November 5, 1984

To: The Shareholders of  
Clearport Petroleums Ltd.

NOTICE is hereby given that the Annual General Meeting of Shareholders of Clearport Petroleums Ltd. (hereinafter called "the Company") will be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, on Monday, the 5th day of November, 1984 A.D., at 10:00 o'clock a.m. (Mountain Standard Time), for the following purposes:

1. To receive and consider the Report of the Directors, the financial statement of the Company to June 30, 1984 and the auditors' report thereon.
2. To elect directors of the Company for the ensuing year and until their successors shall be duly elected and qualified.
3. To appoint Miller, McClelland & Co. as Auditors of the Company.
4. To hold annual meeting of Clearport Petroleums Inc., which is the United States wholly-owned subsidiary of Clearport Petroleums Ltd.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The share transfer books of the Company will not be closed, but in lieu thereof, the Board of Directors has fixed the close of business on the 30th day of September, 1984 as the record date for the determination of shareholders who are entitled to notice of and to vote either in person or by proxy at the Annual General Meeting or at any adjournment or adjournments thereof.

Shareholders who do not expect to attend the Meeting in person are urged to fill in, sign, date and return the enclosed Proxy in the enclosed envelope. The Proxy must be deposited at the office of Guaranty Trust Company of Canada, 401 - 9th Avenue South West, Calgary, Alberta, not less than 48 hours before the time for holding the meeting.

DATED at Calgary, Alberta, Canada, this 19th day of October, A.D. 1984.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,  
President



(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ALBERTA, CANADA)

## Annual General Meeting of Shareholders

November 5, 1984

### PROXY STATEMENT AND INFORMATION CIRCULAR

Management of Clearport Petroleums Ltd. (the "Company") solicits the enclosed Proxy for use at the 1984 Annual General Meeting of Shareholders of the Company to be held at the offices of the Company at 522, 550 - 6th Avenue S.W., in the City of Calgary, Province of Alberta, Canada, at 10:00 o'clock a.m. (Mountain Standard Time) on November 5th, 1984 and at any adjournments thereof for the purposes set forth in the Proxy. Shareholders may revoke their proxy at any time prior to the exercise thereof. A proxy, when executed and not so revoked, will be voted in accordance with the instructions thereon.

Solicitation of proxies will be primarily by mail but may also be by telephone, telegraph or oral communications by the directors, officers and regular employees of the Company, at no additional compensation. The cost of soliciting proxies will be borne by the Company.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of the Company's common shares of record at the close of business on September 30, 1984 will be entitled to notice of and to vote one vote per share on all matters placed

before the Meeting. Two or more shareholders personally present who were shareholders as at September 30, 1984 will constitute a quorum. Shareholders are not entitled to cumulate their votes in the election of directors. On September 29, 1984 there were 1,888,103 shares of the Company's common shares without nominal or par value outstanding. To the knowledge of the directors and senior officers of the Company, Robert M. Ross is the only person or company which beneficially owns, directly or indirectly, common shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Robert M. Ross owns of record and beneficially 835,846 shares of the Company which constitutes 44.27% of the outstanding shares of the Company.

### ELECTION OF DIRECTORS

At this Meeting three (3) directors are to be elected, each director to hold office until the Annual General Meeting of Shareholders of the Company in 1985 or until his successor has been elected and qualified. It is intended that votes will be cast pursuant to the proxies for the election of the following nominees as directors, all of whom are presently directors of the Company. Two of the present directors have been directors since the incorporation of the Company on March 8, 1972 and one has been a director since June 18, 1982.



<u>Name and Address</u>	<u>Positions Presently Held</u>	<u>Principal Occupations During Preceding Five (5) Years</u>	<u>Number of Common Shares Beneficially Owned as of Sept. 30, 1984</u>
Robert Morris Ross, 4511 - 14A Street S.W. Calgary, Alberta	Director & President	President, Stikine River Mines Ltd., 1965-69; President Clearport Holdings, 1961-84; Director, Ace Explosives Limited, 1967-78.	835,846
Harold Lawrence Farney, 4239 Britannia Drive Calgary, Alberta	Director & Vice-President	President, Farney Exploration Ltd., merged with Tele-dyne 1965; President, Quinn-Farney Ltd., 1965-84; President, Ace Explosives Ltd. 1967-78.	90,408
Robert C. Ross, 4511 - 14A Street S.W. Calgary, Alberta	Director & Secretary-Treasurer	Geologist and Production Manager, Clearport Petroleum Ltd., 1984	42,600

#### REMUNERATION OF OFFICERS AND DIRECTORS

The aggregate remuneration paid to all directors and senior officers of the Company, as a group, including the five highest paid employees, during the Company's last completed financial year by the Company and its subsidiaries whose financial statements are consolidated with those of the Company is set forth as follows:

<u>Aggregate Remuneration</u>	<u>Estimated Annual Benefits Upon Retirement</u>	<u>Options to Purchase Securities</u>
102,500	NIL	NIL

#### APPOINTMENT OF AUDITORS

The Shareholders will be asked to vote for the appointment of Miller, McClelland & Co. as Auditors of the Company for the fiscal year ending June 30, 1985.

#### OTHER BUSINESS

Management knows of no other business which is likely to be brought before the meeting other than that which is set forth in items 1, 2, 3 and 4 of the notice thereof. If however, any other business should properly be presented to the meeting, the persons named in the accompanying form of Proxy will vote the Proxy in accordance with their best judgement on such matters and the Proxy confers such discretionary authority.

BY ORDER OF THE BOARD OF DIRECTORS

Robert M. Ross,  
President.

DATED this 19th day of October, 1984 A.D.  
Calgary, Alberta, Canada



## 1984 ANNUAL REPORT

Our cover, as you can see, illustrates some of man's most important elements, the sky, the atmosphere, and space. There have been multiple problems in determining the ownership of the earth's minerals, both onshore and offshore. Our next question will be, who owns the sky?

Probably over the next 200 years our non-renewable minerals shall be exhausted, and mankind doubtless by that time will have come upon another source of energy. It is not unlikely that this shall be solar energy or wind-powered electric. Our immediate needs are to restore some peaceful means by which mankind can live and dwell together and properly expend his energies for the betterment of all mankind. May it be noted the Western World is now utilizing 45 million barrels of oil per day.

Clearport, for some years now, has been complaining about the high price of Canadian gas exported to our only market, the United States. We should now like to portray a current example of the situation that has occurred to our company in the year, 1984. We hold a 25% interest in a well described as South Ponderay 7-33-2-9 W4M. This well in a two-month period, namely January and February 1984, produced \$101,933.48 in total gross revenues. This well cost \$89,833.04 to drill in the year 1974. It is true that, with inflation, drilling costs have increased and we can agree that they may have doubled. However, we should like to point out that taking into consideration the realistic cost of this well, as you may very clearly observe, the entire drilling and completing expense has been returned in less than a two-month operation period. In those two months an excess of \$12,100.44 in revenue was produced over the completed cost.

Our problem, of course, is that in view of these excessively high prices we are unable to export this gas. It, therefore, would be much more fitting to sell the gas at a price people can afford to pay and which would give us a most adequate return on our investment. Anyone in the oil industry will acknowledge that to recover the drilling and completing

costs of a well over a two-year period makes good economic sense. Therefore, until this pricing situation is properly remedied, Canada will be unable to export any appreciable portion of its natural gas to the United States.

We, as a company who sold gas for so many years at \$0.10 per thousand cubic feet, felt that \$0.50 per thousand would be most adequate. However, as the present case exists, the Provincial Government has changed the regulations and increased its royalty from the earlier figure of 16⅔% to now approximately 37% on old gas and 28% on new. The Federal Government through federal ownership tax has exercised its demands and is taking \$0.14/GJ. In addition, they have applied an excise tax to this natural resource and it is \$0.45/GJ. Therefore, you can see that the producer only receives a limited amount of the dollars earned under this system. It is true that the Provincial Government has and does make royalty rebates but that, of course, can only be done for those companies who are producing product. We have seen the price of exported gas now increase from \$0.10 per thousand cubic feet to \$4.94 U.S. per thousand cubic feet at the American border. This latter price has been reduced to \$4.40 U.S. per thousand cubic feet and now to the Toronto Gate Price.

If some successful guidelines could be utilized in the sale of natural gas, a great deal could be done for Canada to balance the payments and logically increase our dollar against the American value. Citizens in the United States are unable to purchase our product simply because they cannot afford it. We agree that the gas bubble in the United States will eventually burst and they are going to require our natural gas product; however, if we are priced out of the market, there will be no way that they can logically agree to import.

At the time of writing, here in Canada we have anxiously awaited the outcome of a federal election and we sincerely hope that events will turn to bring about more considerate thought in dealing with the business of Canada, and most especially the natural resource products which we and so many



Canadians are so dependent upon. Should the policies become more rational and sensible, the Alberta economy can make a considerable upward turn and so can the viability of Canada in world markets.

Our fate, therefore, rests with the acts of the Government and the only thing that we all can do is trust that they make the right decisions.

Respectfully submitted,

ROBERT M. ROSS  
President

#### ADDENDUM

Following the preparation of the foregoing report, on the 4th of September 1984, we were advised by Canadian-Montana Gas that they were turning on to production seven of our wells in the Ponderay area. We were further advised on the 5th of September 1984 by the same company that two additional wells would be included with those going on stream. This has now been done and nine wells are flowing.

We have been advised by an independent producer that a lease that we had farmed out in Pembina had achieved payout in twenty months and Clearport would now have the right to convert to its working interest. This has been done and the cash flow from this source will be beneficial. Clearport owns a 40.5% working interest.

Clearport, on behalf of a consortium, are carrying out feasibility studies on pipeline and plant hook-up for some of its

Drumheller production. Everything in this regard is progressing well and we have secured a market for the Drumheller gas production.

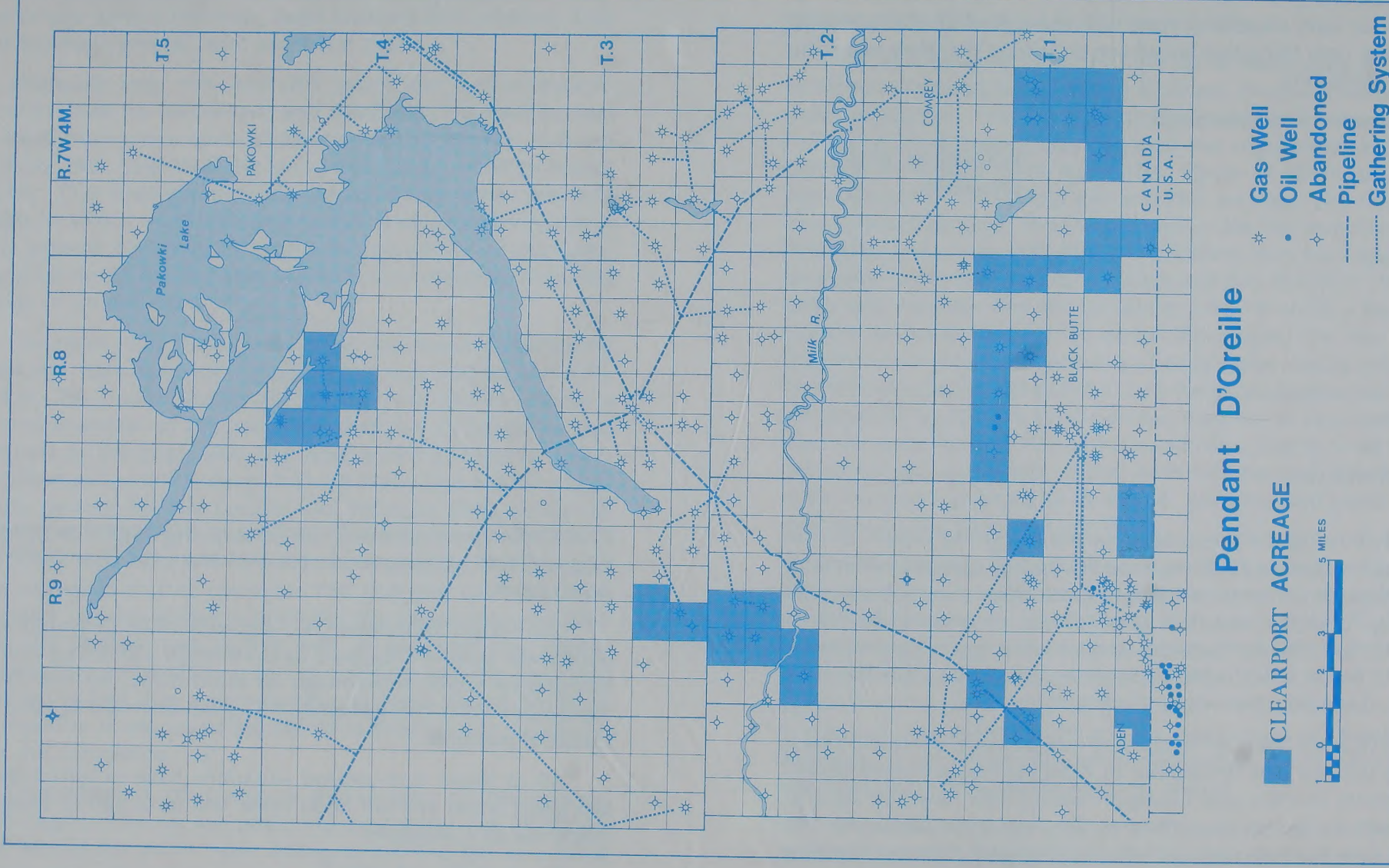
On Friday, September 7th, a contract was delivered to us which will enable Clearport to commence producing from its Rosshaven plant, northwest of Edmonton, on the 1st of November 1984. This gas and L.P.G.s will do much to assist our financial position.

All of these turn-around situations have occurred in the last short while and we hope these will be a sign of things to come for all Canadians.

Respectfully submitted,

ROBERT M. ROSS  
President







# OPERATIONS

ALBERTA

Swan Hills

Ross Haven

West Pembina

Edmonton

Drumheller

Calgary

Atlee Buffalo

Pendant D'Oreille

■ TOWNSHIPS IN WHICH CLEARPORT  
PETROLEUMS HOLDS INTERESTS

24 0 24 48 MILES





CALGARY CANADA  
**CLEARPORT**  
**PETROLEUMS LTD.**  
 DRUMHELLER AREA  
 PROGRESS REPORT JULY 1981





CALGARY, CANADA  
**CLEARPORT PETROLEUMS LTD.**  
ROSSHAVEN LAC STE.-ANNE AREA

- CLEARPORT PIPELINE
- N.U.L. PIPELINE
- PEACE RIVER PIPELINE
- CO-OP PIPELINE
- CROSSING
- WOODLAND



LAC STE.-ANNE



## OIL AND GAS WELLS

The following is a summary of the Company's interests in oil and gas wells:

ALBERTA	Gross Number of Wells	Percentage Interest	Status		Gross Number of Wells	Percentage Interest	Status
Aden .....	1	15.00	Shut-in gas	Lait .....	1	95.71	Shut-in gas
Atlee Buffalo .....	1	25.00	Shut-in gas		2	30.00	Shut-in gas
Black Butte .....	1	7.5	Producing oil	Manyberries .....	1	2.00	Shut-in gas
	1	2.25	Shut-in gas		1	25.00	Shut-in gas
	2	10.78	Shut-in gas	Pembina .....	1	40.00	Producing oil
	1	17.812	Shut-in gas	Pendant d'Oreille ...	3	25.00	Shut-in gas
	1	35.625	Shut-in gas		1	50.00	Shut-in gas
Bantry .....	2	2.00	Shut-in gas		1	62.50	Shut-in gas
Comrey .....	1	3.00	Shut-in gas		1	65.00	Shut-in gas
	1	6.00	Shut-in gas		2	25.00	Shut-in gas
	1	50.00	Shut-in gas		2	62.50	Shut-in gas
Drumheller .....	1	50.00	Shut-in gas		1	84.00	Shut-in gas
	1	17.39	Shut-in gas	Rosshaven .....	1	50.00	Shut-in gas
	1	12.50	Shut-in oil		1	50.00	Shut-in gas

A summary of the Company's net share of proved developed producing, proved developed non-producing, proved undeveloped and probable additional reserves is shown below as well as future net revenue before federal income tax, undiscounted and discounted at 15 and 20 percent. The cash flow estimates below include the Alberta Small Explorers Tax Credit and PGRT allowance.

In addition, the value of the Company's undeveloped lands has been estimated at \$409,025.

## COMPANY SHARE

	REMAINING NET RESERVES				FUTURE CASH FLOW		
	Crude Oil & NGL		Natural Gas		Undiscounted	Discounted @	
	M <sup>3</sup>	(stb)	E <sup>3</sup> M <sup>3</sup>	(MMcf)	M \$	15%	20%
Proved Developed							
— Producing .....	1 814	11,415	117 239	4,161	32,254	6,438	4,805
— Non-Producing .....	2 843	17,891	116 698	4,153	27,137	5,688	4,197
Proved — Undeveloped .....	—	—	17 689	628	3,394	613	376
Probable — Additional .....	<u>2 832</u>	<u>17,821</u>	<u>21 760</u>	<u>772</u>	<u>4,911</u>	<u>1,186</u>	<u>863</u>
TOTAL .....	7 489	47,127	273 386	9,714	67,696	13,925	10,241



## ACREAGE

The following table summarizes the working interests in petroleum and natural gas rights of the Company:

<b>ALBERTA</b>	<b>GROSS AREA</b>	<b>NET COMPANY ACRES</b>
Comrey .....	8,320	3,088
Black Butte .....	2,560	784
Aden Field .....	1,760	1,216
Lait .....	1,440	1,096
Knappen .....	160	40
South Pendant d'Oreille .....	6,080	2,680
Manyberries .....	640	12.8
Pakowki Lake .....	3,200	1,673
Atlee Buffalo .....	960	480
Drumheller .....	1,760	880
Aerial .....	320	160
Michichi .....	160	160
Fenn Big Valley .....	800	800
Bonnie Glenn .....	160	8
Bittern Lake .....	640	320
Lloyd Lake .....	1,440	720
Pembina .....	3,040	2,080
Rosshaven .....	1,244.4	622.2
West Swan Hills .....	640	320
Wrentham .....	1,120	1,008
Virgo .....	320	288

<b>ALBERTA (cont'd)</b>	<b>GROSS AREA</b>	<b>NET COMPANY ACRES</b>
Tomahawk .....	640	576
Leduc-Woodbend .....	160	144
Rainbow .....	640	576
Zama .....	320	288
Rainbow Lake .....	320	304
<b>TOTAL .....</b>	<b>38,844.4</b>	<b>20,324.00</b>

<b>MONTANA</b>	<b>GROSS AREA</b>	<b>NET COMPANY ACRES</b>
<b>TOTAL .....</b>	<b>3,606.51</b>	<b>3,606.51</b>

<b>KANSAS</b>	<b>GROSS AREA</b>	<b>NET COMPANY ACRES</b>
Kingman County .....	11,055.97	10,840.99
Sedgwick County .....	9,349.98	9,349.98
Reno County .....	7,965.34	7,955.34
Harper County .....	5,042.91	5,042.91
Ness County .....	240.00	240.00
<b>TOTAL .....</b>	<b>33,654.20</b>	<b>33,429.22</b>
<b>CLEARPORT'S 6.25% SHARE IN KANSAS .....</b>	<b>2,103.38</b>	<b>2,089.32</b>



### MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

The financial statements, which consolidate the financial results of Clearport Petroleum Ltd. and its subsidiary have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. The objectivity and integrity of data in these financial statements, including estimates and judgements relating to matters not concluded by year-end, are the responsibility of management as is all other information included in the annual report unless otherwise indicated.

In management's opinion the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized. In meeting its responsibilities for the reliability of the financial statements, management maintains a system of internal accounting controls and administers a program of proper business conduct compliance.

Miller, McClelland & Co., the Company's independent chartered accountants, have been engaged to render an independent professional opinion on the accompanying financial statements. In order to complete their report, which is shown on the next page, they develop and maintain an understanding of the Company's systems and procedures and conduct an examination in accordance with generally accepted auditing standards.

The financial statements were reviewed and approved by the Board of Directors.

Calgary, Alberta  
September 27, 1984



## AUDITORS' REPORT

To the Shareholders of  
Clearport Petroleum Ltd.

We have examined the consolidated balance sheet of Clearport Petroleum Ltd. at June 30, 1984 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the consolidated financial position of the company as at June 30, 1984 and the consolidated results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
September 27, 1984

MILLER, McCLELLAND & CO.  
Chartered Accountants



**CLEARPORT PETROLEUMS LTD.**  
**CONSOLIDATED STATEMENT OF INCOME**

FOR THE YEAR ENDED JUNE 30, 1984  
(with prior year's figures for comparison)

	<u>1984</u>	<u>1983</u>
<b>REVENUE</b>		
Production and administration .....	\$ 558,457	\$ 619,850
Less: Crown royalties .....	<u>74,823</u>	<u>103,430</u>
	483,634	516,420
Interest and other .....	<u>4,657</u>	<u>44,879</u>
	<u>488,291</u>	<u>561,299</u>
<b>EXPENSES</b>		
Administration .....	273,219	249,583
Depletion .....	41,059	34,710
Depreciation .....	28,990	30,747
Interest and bank charges .....	90,705	140,257
Lease and surface rentals .....	6,944	5,009
Operating .....	81,641	124,415
Other royalties and taxes .....	<u>26,035</u>	<u>25,410</u>
	<u>548,593</u>	<u>610,131</u>
Loss before income taxes and extraordinary item .....	<u>(60,302)</u>	<u>(48,832)</u>
<b>INCOME TAXES (Note 12)</b>		
Current .....	1,702	—
Deferred .....	20,529	—
Royalty Tax Credit .....	<u>(45,424)</u>	<u>(77,572)</u>
	<u>23,193</u>	<u>77,572</u>
Income (loss) before extraordinary item .....	<u>(37,109)</u>	<u>28,740</u>
<b>EXTRAORDINARY ITEM</b>		
Income tax reduction realized on application of prior year losses .....	<u>1,702</u>	<u>—</u>
<b>NET INCOME (LOSS)</b>		
FOR THE YEAR .....	<u><u>\$(35,407)</u></u>	<u><u>\$ 28,740</u></u>
Earnings (loss) per share before extraordinary items .....	(1.97¢)	1.52¢

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

## CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED JUNE 30, 1984  
(with prior year's figures for comparison)

	<u>1984</u>	<u>1983</u>
Deficit, beginning of year		
As previously reported .....	\$ 58,199	\$ 86,939
Prior year's adjustments (Note 9) .....	<u>(21,606)</u>	<u>(21,606)</u>
As restated .....	36,593	65,333
Net (income) loss for the year .....	<u>35,407</u>	<u>(28,740)</u>
Deficit, end of year .....	<u>\$ 72,000</u>	<u>\$ 36,593</u>

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Business Corporations Act of Alberta)

## CONSOLIDATED BALANCE SHEET

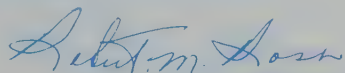
AT JUNE 30, 1984

(with June 30, 1983 figures for comparison)

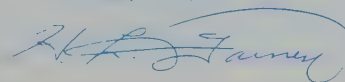
## ASSETS

	<u>1984</u>	<u>1983</u>
CURRENT		
Cash .....	\$1,216	\$ 23
Accrued interest receivable .....	134	260
Accounts receivable .....	82,993	470,120
Alberta royalty tax credit .....	24,369	26,326
Prepaid expenses .....	<u>1,591</u>	<u>4,730</u>
	110,303	501,459
PROPERTY, PLANT AND EQUIPMENT		
(Notes 1 and 2) .....	1,639,073	1,644,454
OTHER, at cost		
Incorporation costs .....	—	991
Drilling deposit .....	<u>10,000</u>	<u>16,044</u>
	<u>\$1,759,376</u>	<u>\$2,162,948</u>

APPROVED BY THE BOARD:



Director



Director

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

(Incorporated Under the Business Corporations Act of Alberta)

## CONSOLIDATED BALANCE SHEET

AT JUNE 30, 1984

(with June 30, 1983 figures for comparison)

## LIABILITIES

	<u>1984</u>	<u>1983</u>
CURRENT		
Bank indebtedness (Note 3) .....	\$ 735,000	\$ 763,089
Accounts payable .....	<u>89,794</u>	<u>418,919</u>
	824,794	1,182,008
DEFERRED INCOME TAXES (Note 1) .....	<u>37,629</u>	<u>17,100</u>
	<u>862,423</u>	<u>1,199,108</u>

## SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 11)		
Authorized		
5,000,000 shares without par value,		
Issued		
1,888,103 Shares .....	1,022,453	1,022,453
Less: Commission paid .....	<u>22,020</u>	<u>22,020</u>
	1,000,433	1,000,433
DEFICIT .....	<u>(72,000)</u>	<u>(36,593)</u>
	928,433	963,840
Less: 28,400 shares held in Treasury, at cost .....	<u>(31,480)</u>	<u>—</u>
	<u>896,953</u>	<u>963,840</u>
	<u>\$1,759,376</u>	<u>\$2,162,948</u>

See accompanying notes



CLEARPORT PETROLEUMS LTD.  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 1984  
(with prior year's figures for comparison)

	<u>1984</u>	<u>1983</u>
<b>SOURCE OF WORKING CAPITAL</b>		
Net income (loss) for the year .....	\$ (35,407)	\$ 28,740
Items not representing a change in working capital		
Depreciation and depletion .....	70,049	65,457
Deferred income taxes .....	20,529	—
Incorporation costs written off .....	991	—
Loss on surrender of lease .....	—	7,208
Gain on disposal of assets .....	(612)	—
Total working capital provided from operations .....	55,550	101,405
Exploration and development costs recovered .....	9,844	—
Proceeds from redemption of shares .....	—	5
Government grants .....	—	34,029
Proceeds on disposal of assets .....	5,800	—
Refund of drilling deposits .....	6,044	—
	<u>77,238</u>	<u>135,439</u>
<b>APPLICATION OF WORKING CAPITAL</b>		
Additions to fixed assets		
Furniture and fixtures .....	1,200	2,600
Exploration and development costs .....	12,034	47,600
Acquisition of leases .....	45,700	6,021
Lease rentals of non-producing properties .....	16,603	18,416
Equipment .....	4,163	—
Increase in drilling deposits .....	—	6,044
Acquisition of company shares .....	31,480	—
	<u>111,180</u>	<u>80,681</u>
INCREASE (DECREASE) IN WORKING CAPITAL, FOR THE YEAR .....	(33,942)	54,758
Working Capital (deficiency), beginning of year .....	(680,549)	(735,307)
WORKING CAPITAL (DEFICIENCY), END OF YEAR .....	<u><u>\$ (714,491)</u></u>	<u><u>\$(680,549)</u></u>

See accompanying notes



## CLEARPORT PETROLEUMS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1984

## 1. ACCOUNTING POLICIES

## a) Consolidation —

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Clearport Petroleum Inc.

## b) Property, Plant and Equipment —

The company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on non-producing properties, cost of drilling both productive and non-productive wells and all technical and administrative overheads directly related to exploration and development activities. Costs are accumulated on a country by country basis and are amortized by the unit of production method based upon estimated proven developed and undeveloped reserves in each country as determined by the company and substantiated periodically by independent engineers.

## c) Depreciation —

All equipment, furniture and fixtures are recorded at cost and depreciation is provided using the straight-line method, at the rates set out in Note 2.

## d) Deferred Income Taxes —

The company records income taxes on the tax allocation basis. Deferred income taxes result primarily from claiming capital cost and other allowances in excess of depreciation and depletion recorded in the accounts.



#### 11. CONTINUANCE OF COMPANY AND SHARE CAPITAL

During the year, the company fulfilled the requirements of continuance provisions of The Business Corporations Act of Alberta. Accordingly, authorized and issued share capital were amended to comply with the appropriate sections of the Act.

#### 12. INCOME TAXES

The company has incurred accumulated losses of \$5,419 for Canadian income tax purposes, which are available to reduce taxable income in future years until 1989. At June 30, 1984, the company had accumulated \$15,820 in business investment tax credits which are available to reduce Canadian Federal income taxes in future years until:

1985	\$10,694
1986	4,912
1991	214
	<u>\$15,820</u>

#### 13. LONG TERM COMMITMENTS

The company occupies its premises under a two year lease commencing October 1, 1983 at a base rental of \$1,132 per month plus taxes and common area costs.



## 6. EXPLORATION COMMITMENTS

Under an agreement dated April 30, 1981 the company is committed to expend \$250,000 (U.S.), plus 7% administrative fees in a Kansas Joint Venture. To June 30, 1984, \$188,780 (Canadian), had been expended. It is the intention of the company not to make any further expenditures on the Kansas Joint Venture.

## 7. STOCK OPTION

Under an agreement dated December 18, 1981, R. M. Ross was granted an option to purchase additional shares of the company as follows:

- 50,000 shares at \$1.50 per share.
- 50,000 shares at \$1.75 per share.
- 100,000 shares at \$2.00 per share.

This option agreement has been approved by the Alberta Stock Exchange and expires October 30, 1986. To date, no part of the option has been exercised.

## 8. CONTINGENCY

These financial statements have been prepared on the basis of a going concern. The company is dependant on its ability to sell oil and gas products and in the event that these sales are not forthcoming, the realization of its assets would be dependent on the market conditions at that time.

## 9. PRIOR PERIOD ADJUSTMENTS

As a result of claims for gas cost allowances and re-calculation of petroleum taxes and deferred taxes, the deficit at June 30, 1983 previously reported as \$58,199, has been restated to show a retroactive credit of \$21,606, representing the net amount by which the deficit has been reduced by virtue of the above adjustments. All of the \$21,606, is applicable to June 30, 1982 and has been charged to retain earnings at that date, previously reported as \$86,939.

The relevant comparative figures have been restated to account for the changes due to the above.

## 10. COMPARATIVE FIGURES

Certain of prior years' comparative figures have been reclassified to conform with current year's presentation.





**OFFICERS and DIRECTORS**

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President & Director

Harold L. Farney  
Vice-President & Director

Robert C. Ross  
Secretary-Treasurer & Director

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**C.P.R.**





